

Distressed Area Business and Occupation Tax Credit for New Employees

The information contained in this fact sheet is current as of the date of publication and is intended only as general information. It does not cover every aspect of this incentive.

Not all possible applications of this program are discussed. This fact sheet does not alter or supersede any administrative regulations or rulings issued by the Department.

The Distressed Area Business and Occupation (B&O) Tax Credit Program for New Employees provides a \$2,000 credit for each new qualified employment position with annual wages and benefits of \$40,000 or less; or a credit of \$4,000 for each new employment position with wages and benefits over \$40,000 annually, with applications approved July 1, 1997 and there after. The credit is taken against the B&O tax for each new employment position filled and maintained by qualified businesses located in eligible areas.

ELIGIBLE AREAS

NOTE: The list of eligible areas is revised annually (effective July 1 through June 30). Businesses making investment or hiring decisions should be aware that a specific area may not be on the list every year. Before making a final investment or hiring decision based on these programs, the business should call the Taxpayer Account Administration Division at 1-360-902-7175 or visit our web site at http://www.dor.wa.gov/Content/Pubs/category/pubs_catég_incentive.asp to determine eligibility of the area.

- ◆ Rural Counties: Counties with a population density of fewer than 100 people per square mile. The eligibility period is from July 1 through June 30 of the following year.
- ◆ Community Empowerment Zones (CEZ): A designated community empowerment zone. **The business must be located within the zone.** Only positions filled by CEZ residents

are eligible for the tax credit. CEZs have a continuing status and are not reevaluated annually or removed from the list.

Please see the designated area table included in this publication.

REQUIREMENTS

- ◆ **An application must be filed with the Department of Revenue BEFORE filling the new positions.** Positions may be filled after the application is submitted to the Department of Revenue. However, a credit cannot be taken until the application is approved and a valid credit certificate is issued (see application included in this publication).
- ◆ The business must be a manufacturing, research and development, or computer-related service business (excluding light and power business) that locates or expands in a designated distressed county or other eligible area.
- ◆ Businesses must create a new work force, or expand the existing work force by a 15 percent average increase (full-time employment positions) over the preceding calendar year by December 31 of the calendar year credits are applied for. All positions created by a new business will qualify for the credit the first year from the date the application is received by the Department of Revenue.

- ◆ New full-time employment positions must be maintained for 12 consecutive months.
- ◆ To qualify, a new application must be submitted to the Department of Revenue EACH calendar year that a 15 percent average increase in the number of positions over the previous year is anticipated. **Note: Application to the Department must be made before filling these new positions.**
- ◆ When a person filling a position quits or is fired, the approved credit for that position will not be canceled as long as that vacant position is filled within 30 days and the position is maintained for 12 consecutive months. An employee “in-training” qualifies as filling a position, as long as they are working at least 35 hours a week.

LIMITATIONS

- ◆ For a full-time employment position to be eligible for credit, it must be requested on the application and approved by the Department of Revenue. Any position(s) created that exceed the amount approved on your application are not eligible for the credit.
- ◆ The position(s) must be NEW. Positions may not be transferred from an established site in Washington to a new site or other qualified location unless the vacated positions are filled.

HOW TO DETERMINE A FULL-TIME EMPLOYMENT POSITION

A full-time employment position is one that is filled by one or more employees who:

- ◆ Work 35 hours per week for 52 weeks; or
- ◆ Work 455 hours each quarter (excluding overtime) of the year; or
- ◆ Work 1,820 hours annually (excluding overtime) over a period of 12 consecutive months.

NOTE: Tax credits for qualified businesses that hire seasonal employees may be approved if certain requirements are met. See Excise Tax Advisory 535.04.240 for more information.

15 PERCENT AVERAGE EMPLOYMENT INCREASE

Qualification for tax credit depends upon whether enough new positions are expected to be filled to meet the fifteen percent average increase test. Positions filled in the current calendar year prior to making application are not eligible for a credit, but the positions are used to calculate whether the 15 percent threshold has been met.

To determine if the number of new positions anticipated is an average increase of 15 percent:

1. Add the number of all full-time employees (455 hours or more worked) as reported to Employment Security for each quarter of the preceding year to find the number of full-time employees for that quarter;
2. Add the hours of the remaining employees on each report for the preceding year, and divide by 455 to find the number of other full-time equivalent (FTE) employees;
3. Add the totals from 1 and 2 above to find the total FTEs for the quarter (see table 14, lines a-d);
4. Add the FTEs for all four quarters together for the annual total (table 14, line e); and
5. Divide the annual total FTEs by four. The answer represents the average number of full-time employment positions (table 14, lines f and g).

A worksheet is included with the Distressed Area Application for B&O Tax Credit on New Employees. To obtain the average number of FTEs for the previous and current calendar years, complete the tables on the worksheet. The average number of FTEs for the current calendar year must be 15 percent higher than the average number of FTEs for the previous calendar year (table 15).

NOTE: Tables 14 and 15 are to be used with both examples one and two.

14. Number of FTEs for Previous Year:	
a. Quarter 1.....	11
b. Quarter 2.....	15
c. Quarter 3.....	16
d. Quarter 4.....	11
e. Total number of FTEs (add a through d).....	53
f. Divided by 4.....	÷ 4
g. Average number of FTEs for previous year.....	13.25 = 13 due to rounding

(Transfer this number to page 2, line 15 of the application)

15. Average Number of FTE's for Previous Year Multiplied by 1.15	
a. Multiply the total on line (g) by 1.15.....	13.25 x 1.15
b. Total.....	15.2375 = 15 due to rounding

(Transfer this number to page 2, line 15 of the application)

Example One: Although the company hires two new employees in Quarter 1 of the current year, they do not meet the 15 percent average test and will receive no credit for the positions.

16. Estimated Average Number of FTEs for Current Year:	
a. Quarter 1.....	13
b. Quarter 2.....	13
c. Quarter 3.....	13
d. Quarter 4.....	13
e. Total number of FTEs (add a through d).....	52
f. Divided by 4.....	÷ 4
g. Average number of FTEs for current year.....	13

(Transfer this number to page 2, line 14 of the application)

Example Two: Company hires four new employees in Quarter 1 of current year. In this instance, the company will meet the 15 percent increase test, and will receive a credit for four new positions if maintained for 12 consecutive months.

16. Estimated Number of FTEs for Current Year:	
a. Quarter 1.....	15
b. Quarter 2.....	15
c. Quarter 3.....	15
d. Quarter 4.....	15
e. Total number of FTEs (add a through d).....	60
f. Divided by 4.....	÷ 4
g. Average number of FTEs for current year.....	15

(Transfer this number to page 2, line 16 of the application)

USING THE CREDIT

Once approved, a credit of \$2,000 or \$4,000 will be authorized for each position requested in the application. The Department will send an Employee Credit Certificate to the business following approval of the application. AFTER the business has received the certificate AND each new position is filled, the business may apply the credit against its B&O tax liability. The credit used on each return must not be greater than the amount of B&O tax due on that return.

NOTE: This credit may not be used to offset sales or other taxes owed on the return, only the B&O tax.

To take the credit, a copy of the Employee Credit Certificate must be attached to the Combined Excise Tax Return.

The amount of the credit should be entered on page two of the Combined Excise Tax Return under the CREDITS section, credit ID number 810. The total of all credits is then entered on page one of the Combined Excise Tax Return in the TOTALS section, and subtracted from the subtotal of taxes due for that period.

Businesses with approved applications must file an annual report with the Department of Revenue that covers the calendar year the credit is claimed, as well as the calendar year after the credit is claimed.

Employment Security reports can be requested to verify eligibility. Wage and benefit information may also be necessary to verify the credit.

The B&O tax credit will be canceled if the required reports are not submitted or do not contain the necessary information (verification that the positions were created and filled for 12 consecutive months). If the credit is canceled, the business will be required to pay back any credit taken on the Combined Excise Tax Return, plus interest, immediately.

APPLICATION

A copy of the Distressed Area Application for B&O Tax Credit on New Employees along with the Worksheet is provided in this publication.

Additional applications may be obtained by contacting the Telephone Information Center at 1-800-647-7706 (TTY 1-800-451-7985) or you can have the documents faxed by calling our Fast Fax system at (360) 786-6116 and requesting code number 811003.

The Department of Revenue must approve or deny applications within 60 days. If denied, the business may appeal the decision to the Department's Appeals Division.

PUBLICATIONS

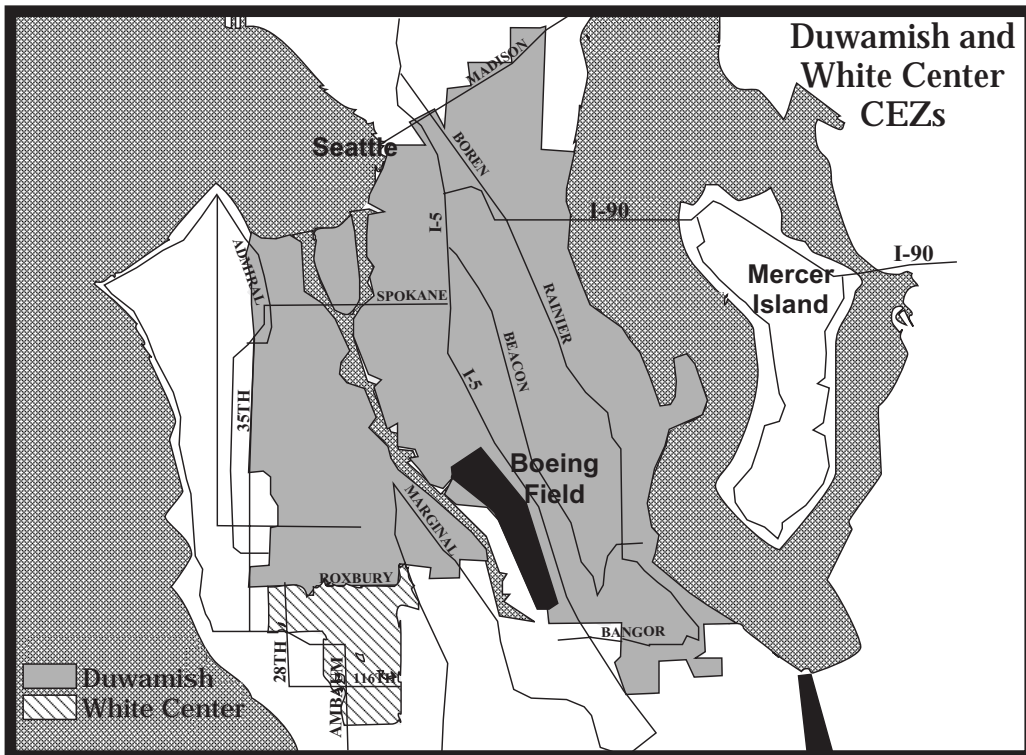
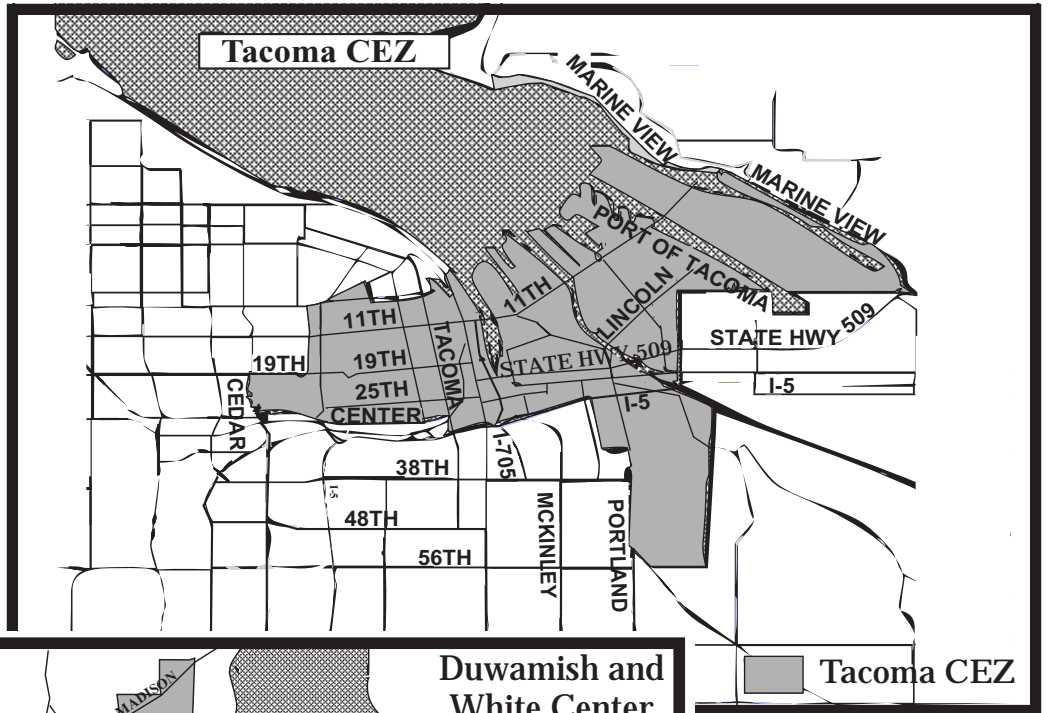
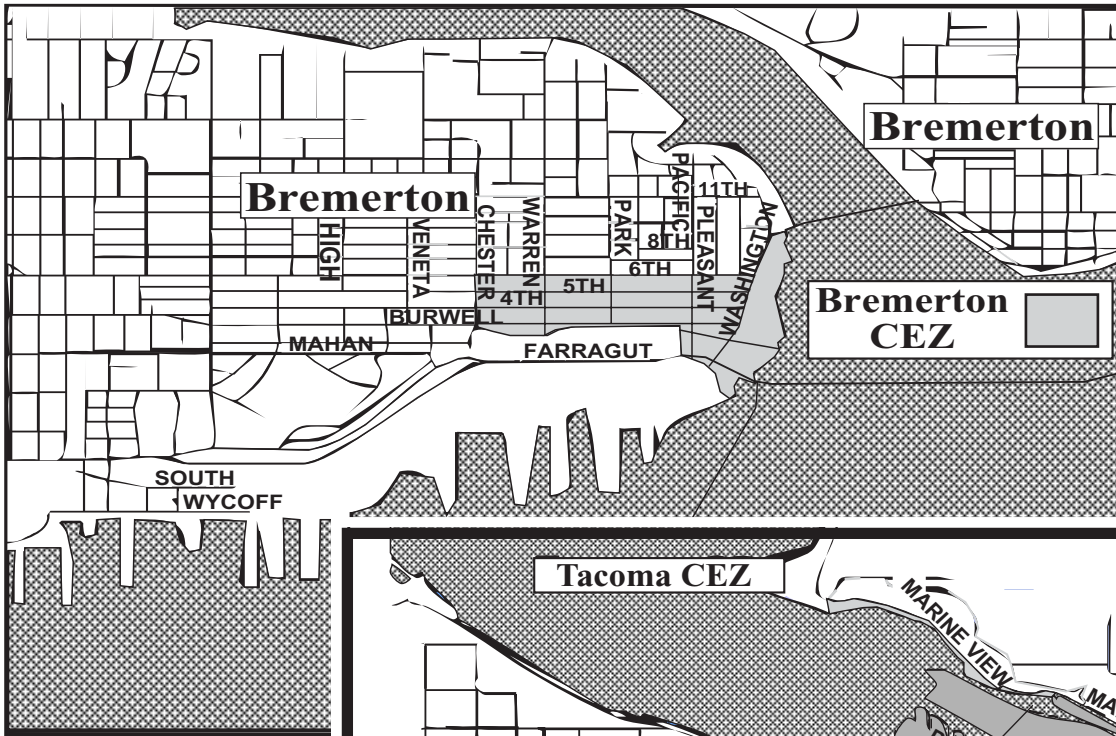
- ◆ Excise Tax Advisory (ETA) 535.04.240 describes the formula used to convert seasonal or part-time employment hours to full-time employment hours for the Distressed Area Business and Occupation Tax Credit.

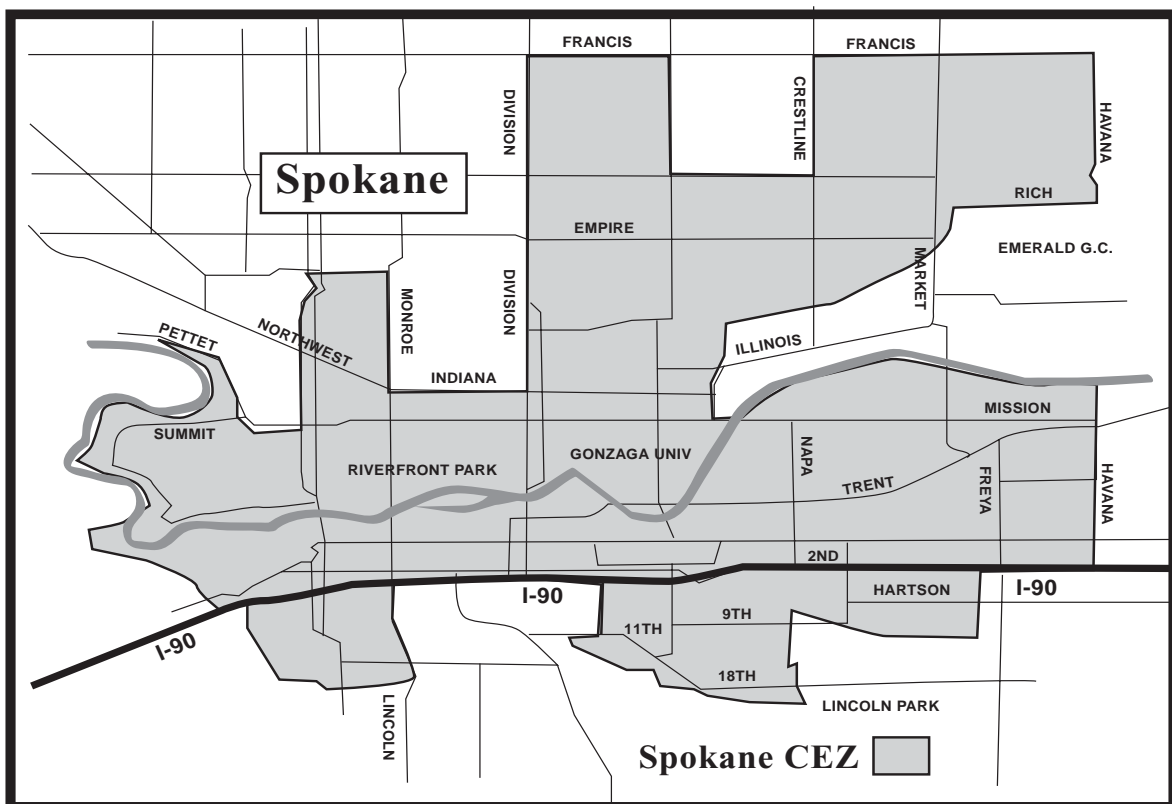
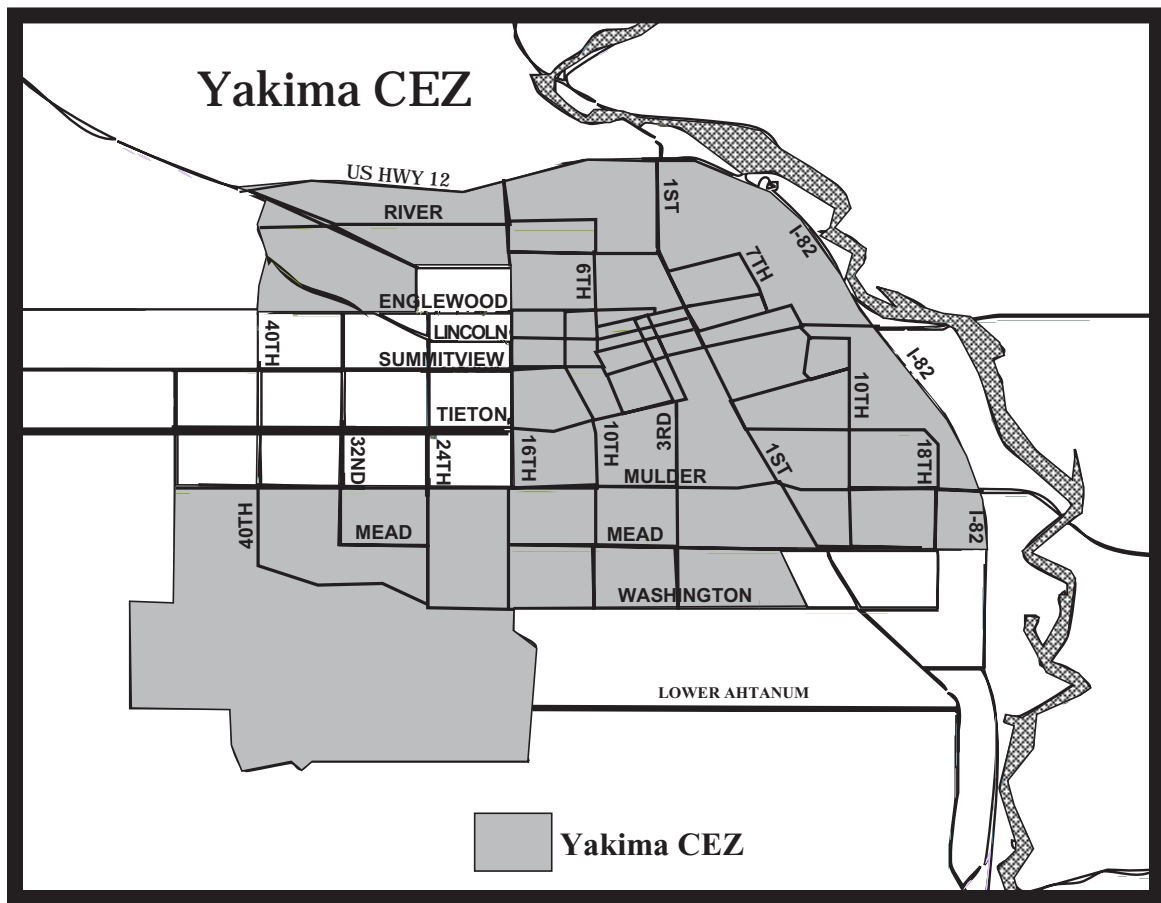
LAWS AND RULES

- ◆ Chapter 82.62 Revised Code of Washington (RCW) — Tax Credits for Eligible Business Projects.

- ◆ Washington Administrative Code (WAC) 458-20-240 — Manufacturers, tax credits (Distressed Area Business and Occupation Tax Credits). Copies of the laws and administrative rules can be obtained from our web site at <http://dor.wa.gov> or upon request.

DESIGNATED AREAS Population Density Basis and CEZs July 1, 2002 - June 30, 2003	
County	B&O Job Credit 82.62
Adams	X
Asotin	X
Benton	X
Chelan	X
Clallam	X
Clark	
Columbia	X
Cowlitz	X
Douglas	X
Ferry	X
Franklin	X
Garfield	X
Grant	X
Grays Harbor	X
Island	
Jefferson	X
King	BUSINESS WITHIN CEZ ONLY
Kitsap	BUSINESS WITHIN CEZ ONLY
Kittitas	X
Klickitat	X
Lewis	X
Lincoln	X
Mason	X
Okanogan	X
Pacific	X
Pend Oreille	X
Pierce	BUSINESS WITHIN CEZ ONLY
San Juan	X
Skagit	X
Skamania	X
Snohomish	
Spokane	BUSINESS WITHIN CEZ ONLY
Stevens	X
Thurston	BUSINESS WITHIN CEZ ONLY
Wahkiakum	X
Walla Walla	X
Whatcom	X
Whitman	X
Yakima	X







State of Washington
Department of Revenue
Taxpayer Account Administration
PO Box 47476
Olympia, WA 98504-7476

DISTRESSED AREA APPLICATION FOR B&O TAX CREDIT ON NEW EMPLOYEES 82.62 RCW

Application for tax credits must be made **before** the actual hiring of qualified employment positions. Positions hired after the end of the current calendar year are not considered for this credit. A new application must be submitted each calendar year that you project employment to increase over 15%. Credit for a position may not be received under both this program and the Software B&O Job Credit Program or the International Services Job Credit Program.

Name of Business		
Address		
City	State	Zip Code

2003
Name of Contact Person (all correspondence will be directed to this person)
()
Telephone Number

Business Identification

1. Department of Revenue Tax Reporting Account Number
2. Department of Employment Security Identification Number

			-				-			
			-				-			

Business Activity to be Conducted at This Business Facility

If additional space is needed to answer questions 3, 4, or 5, please attach additional pages.

- | | | | | | | | | | | | | | | | | | | |
|---|--|---------------|---|------------------------|---|------------------------|---|----------------------------------|---|--|---------------|-------|------------------------|-------|-------|-------|--------------|-------|
| <p>3. Describe the nature of your manufacturing activity _____</p> <p>_____</p> <p>_____</p> <p>4. Describe the nature of your research and development activities, if applicable _____</p> <p>_____</p> <p>_____</p> | <p>5. Percentage of facility devoted to:</p> <table style="width: 100%; border: none;"><tr><td style="width: 80%;">Manufacturing</td><td style="width: 20%; text-align: right;">%</td></tr><tr><td>Research & Development</td><td style="text-align: right;">%</td></tr><tr><td>Other (please explain)</td><td style="text-align: right;">%</td></tr><tr><td>Total (should equal 100%)</td><td style="text-align: right;">%</td></tr></table> | Manufacturing | % | Research & Development | % | Other (please explain) | % | Total (should equal 100%) | % | <p>6. Number of new employees at this facility:</p> <table style="width: 100%; border: none;"><tr><td style="width: 80%;">Manufacturing</td><td style="width: 20%; text-align: right;">_____</td></tr><tr><td>Research & Development</td><td style="text-align: right;">_____</td></tr><tr><td>Other</td><td style="text-align: right;">_____</td></tr><tr><td>Total</td><td style="text-align: right;">_____</td></tr></table> | Manufacturing | _____ | Research & Development | _____ | Other | _____ | Total | _____ |
| Manufacturing | % | | | | | | | | | | | | | | | | | |
| Research & Development | % | | | | | | | | | | | | | | | | | |
| Other (please explain) | % | | | | | | | | | | | | | | | | | |
| Total (should equal 100%) | % | | | | | | | | | | | | | | | | | |
| Manufacturing | _____ | | | | | | | | | | | | | | | | | |
| Research & Development | _____ | | | | | | | | | | | | | | | | | |
| Other | _____ | | | | | | | | | | | | | | | | | |
| Total | _____ | | | | | | | | | | | | | | | | | |

If this business project received a New Manufacturing Sales Tax Deferral under RCW 82.61 (between 1985 and June 30, 1995), it does not qualify for this credit.

- | | | |
|---|------------------------------|-----------------------------|
| 7. Is the applicant engaged in the power and light business, other than in-house co-generation? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 8. Does the applicant operate in other Washington locations? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

General Information

- | | | | | | | | | | | | |
|---|--------------------------|--------------------------|-----------------------|--------------------------|---|-------------------|----------|-------------------|----------|--------------|----------|
| <p>9. Check one:</p> <table style="width: 100%; border: none;"><tr><td style="width: 80%;">Business is New</td><td style="width: 20%; text-align: center;"><input type="checkbox"/></td></tr><tr><td>Business is Expanding</td><td style="text-align: center;"><input type="checkbox"/></td></tr></table> | Business is New | <input type="checkbox"/> | Business is Expanding | <input type="checkbox"/> | <p>10. If this is to be a new facility, what is the estimated cost of the project?</p> <table style="width: 100%; border: none;"><tr><td style="width: 70%;">Cost of Structure</td><td style="width: 30%; text-align: right;">\$ _____</td></tr><tr><td>Cost of Equipment</td><td style="text-align: right;">\$ _____</td></tr><tr><td>Total</td><td style="text-align: right;">\$ _____</td></tr></table> | Cost of Structure | \$ _____ | Cost of Equipment | \$ _____ | Total | \$ _____ |
| Business is New | <input type="checkbox"/> | | | | | | | | | | |
| Business is Expanding | <input type="checkbox"/> | | | | | | | | | | |
| Cost of Structure | \$ _____ | | | | | | | | | | |
| Cost of Equipment | \$ _____ | | | | | | | | | | |
| Total | \$ _____ | | | | | | | | | | |

Location of the Facility for Which Job Credits are Being Sought

11. Check one:

Rural County

☐

Community Empowerment Zone

☐

12.

County

13.

Street Address

City

State

Zip Code

Employment Information for this Facility (Please complete attached worksheet.)

14. Average number of FTEs for 2002

(Total from line 14(g) on the worksheet)

15. Average number of FTEs for 2002 multiplied by 1.15

(Total from line 15(b) on the worksheet)

16. Average number of FTEs for 2003

(Total from line 16(g) on the worksheet)



The total on line 16 must be equal to or greater than the total on line 15 to qualify for credit.

17. Estimated number of FTEs to be hired **after** date of this application and before 12/31/200318. Number of employees indicated on line 17 to be paid wages **and** benefits over \$40,000 per year

A credit of \$4,000 will be given for employees with combined wages and benefits of over \$40,000 per year.

19. Please estimate this facility's benefits as a percentage of wages%

Wages means compensation paid to an individual for personal services, whether denominated as wages, salary, commission, bonus, or otherwise. The Department of Revenue shall use the same report the taxpayer provides to the Department of Employment Security, which is known as the Quarterly Employment Security Report, and only individuals listed in this report will be considered.

Benefits means compensation not paid as wages and includes social security, retirement, health care, life insurance, industrial insurance, unemployment compensation, vacation, holiday, sick leave, military leave, and jury duty. Benefits does not include any amount also reported as wages. The taxpayer shall provide such information to the department as necessary to calculate and verify benefit eligibility.

Name (please print)

Title

Signature

Date of Application

NOTE: The list of eligible areas is revised annually. Before making final investment or hiring decisions based on these programs, the business should call the Taxpayer Account Administration at (360) 902-7175 to determine eligibility of the area.

For tax assistance, visit <http://dor.wa.gov> or call (800) 647-7706. To inquire about the availability of this form in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users may call (800) 451-7985.



**DISTRESSED AREA APPLICATION
FOR B&O TAX CREDIT ON NEW EMPLOYEES
82.62 RCW**

WORKSHEET

(Please return this with the application to the Department of Revenue)

To obtain the average number of FTEs for the previous and current years, complete the following tables. The average number of FTEs for the current year must be 15% higher than the average number of FTEs for the previous year.

14. Number of FTEs for 2002:	
a. Quarter 1	
b. Quarter 2	
c. Quarter 3	
d. Quarter 4	
e. Total number of FTEs	
f. Divided by 4	$\div 4$
g. Average number of FTEs for 2002	

*(Transfer this number to page 2,
line 14 of the application)*

15. Average Number of FTEs for 2002 Multiplied by 1.15	
a. Multiply the total on line (g) by 1.15.....	$\times 1.15$
b. Total.....	

*(Transfer this number to page 2,
line 15 of the application)*

16. Estimated Number of FTEs for 2003.	
a. Quarter 1	
b. Quarter 2	
c. Quarter 3	
d. Quarter 4	
e. Total number of FTEs	
f. Divided by 4	$\div 4$
g. Average number of FTEs for 2003	

*(Transfer this number to page 2,
line 16 of the application)*

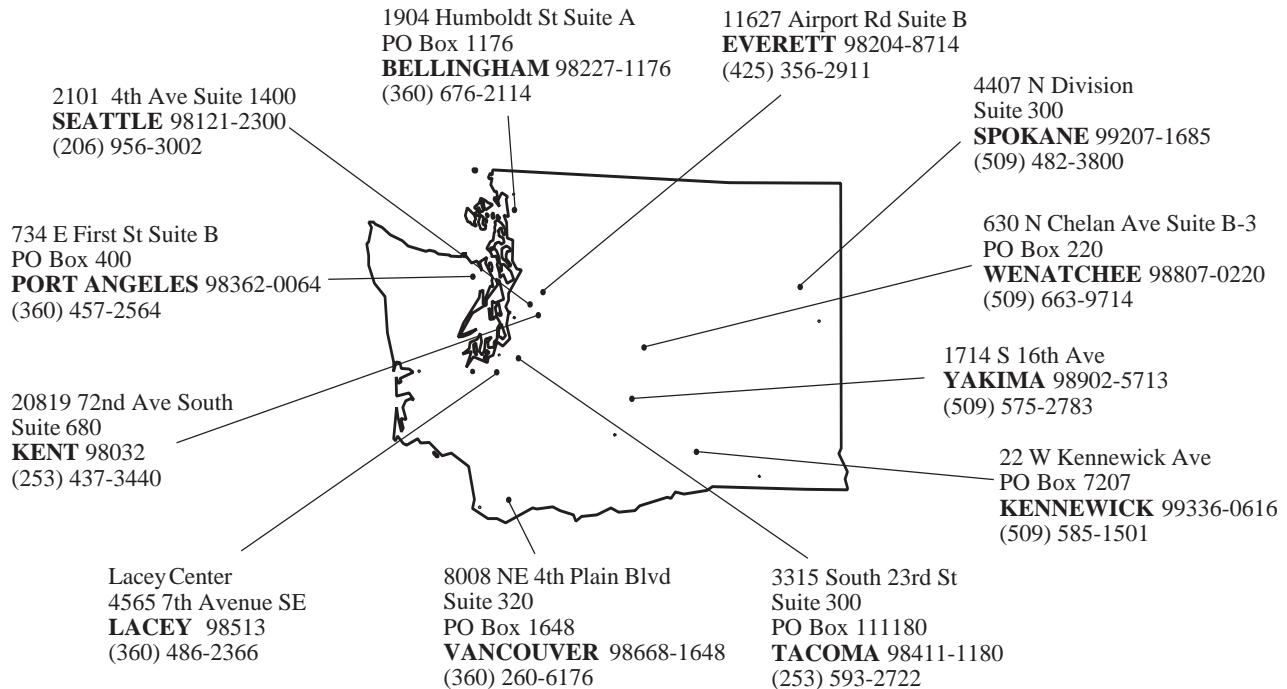
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Department of Revenue Taxpayer Assistance



<http://dor.wa.gov>

Field Office Locations



Telephone Information Center
1-800-647-7706

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